

## **INCOME TAX**

### **Income Computation and Disclosure Standards:**

- ✧ CBDT has notified 10 Income Computation and Disclosure Standards known as ICDS which are to be mandatorily followed by all assesses adopting the mercantile basis of accounting for the computation of income chargeable to Income tax under the head “Profits and Gains of Business or Profession” and “Income from Other Sources”. These ICDS have come into effect from 1<sup>st</sup> April 2015 which means they are applicable from AY 2016-17 onwards. (Ref: Notification no 32/2015 dated 31/03/2015)

Taxable profits would need to be determined after making necessary adjustments as provided in the ICDS. Hence these ICDS have to be immediately followed for the determination of advance tax payable in September 2015. Please refer to Annexure 1 for more details on ICDS

### **FATCA (Foreign Account Tax Compliance Act) Update :**

- ✧ Guidance Notes has been published for Reporting Requirements under rules 114F to 114H of the Income tax rules: According to the Inter Governmental Agreement signed with the US, foreign financial institutions (FFIs) in India are required to report tax information about US account holders to the Indian Government which will, in turn, relay that information to the US Internal Revenue Service (IRS). Furthermore, the US IRS will provide similar information about Indian citizens having any accounts or assets in the US. This automatic exchange of information is scheduled to begin on 30 September 2015.

### **Report of Financial transactions :**

- ✧ CBDT has prescribed the procedures for registration of the financial institutions and submission of reports under Section 285BA (a) of the Income Tax Act, which pertains to Statement of Financial Transaction or Reportable Account previously known as Annual Information Return (AIR). (Ref: Notification no 3/2015 dated 25/08/2015\_

### **Exemptions for educational institutions**

- ✧ The income of any university or other education institutions existing solely for the purpose of education shall be exempt from tax if such entities are approved by the prescribed authorities. Approval is not required in cases of university or educational institutions are wholly or substantially financed by the Government or if their

aggregate annual receipts do not exceed Rs. 1 crore. (Ref: Circular no 14/2015 dated 17/08/2015: Sec 10 (23c)(vi))

**Notification of backward areas for purpose of Section 32AD**

- ✧ According to new section 32AD Where an assessee, sets up an undertaking or enterprise for manufacture or production of any article or thing, on or after the 1st day of April, 2015 in any backward area notified by the Central Government in this behalf, in the State of Andhra Pradesh or in the State of Bihar or in the State of Telangana or in the State of West Bengal, and acquires and installs any new asset for the purposes of the said undertaking or enterprise during the period beginning on the 1st day of April, 2015 and ending before the 1st day of April, 2020 in the said backward area, then, there shall be allowed a deduction of a sum equal to fifteen per cent of the actual cost of such new asset for the assessment year relevant to the previous year in which such new asset is installed.
- ✧ Notification no 71/2015 dated 17/08/2015: The following districts of Bihar has been notified as backward areas for the above said section 32AD, namely:— 1. Patna 2. Nalanda 3. Bhojpur 4. Rohtas 5. Kaimur 6. Gaya 7. Jehanabad 8. Aurangabad 9. Nawada 10. Vaishali 11. Sheohar 12. Samastipur 13. Darbhanga 14. Madhubani 15. Purnea 16. Katihar 17. Araria 18. Jamui 19. Lakhisarai 20. Supaul 21. Muzaffarpur

**Computation of period of stay in India for certain assesses:**

- ✧ Notification no 70/2015 dated 17/08/2015:
  - (1). For the purposes of clause (1) of section 6, in case of an individual, being a citizen of India and a member of the crew of a ship, the period or periods of stay in India shall, in respect of an eligible voyage, not include the period computed in accordance with sub-rule (2).
  - (2). The period referred to in sub-rule (1) shall be the period beginning on the date entered into the Continuous Discharge Certificate in respect of joining the ship by the said individual for the eligible voyage and ending on the date entered into the Continuous Discharge Certificate in respect of signing off by that individual from the ship in respect of such voyage.

**CORPORATE LAW****Companies (Management and Administration) Amendment Rules, 2015:**

- ✧ Where a special notice required to be given to a company shall be signed either individually or collectively by such number of members holding not less than 1% of total voting power or holding shares on which an aggregate sum of not less than five

lakhs has been paid upon the date of the notice. Earlier it was “not more than five lakhs”. (Ref: Notification dated 28<sup>th</sup> August 2015)

### REAL ESTATE

- ❖ Increase in Guideline value: There has been an increase in guideline values relating to certain areas. The present value is available at <http://www.tnreginet.net/>
- ❖ Deduction of TDS under Section 194-IA: Any person including individuals buying an immovable property including flats, plots or commercial property but excluding agricultural land in rural areas are required to deduct TDS @ 1% if the consideration is equal to or more than 50 lakhs of rupees. If PAN of transferor is not available then TDS has to be deducted @ 20%.  
TDS is to be deducted at the time of credit or payment whichever is earlier. This provision is applicable only if the vendor is a resident.

### FEMA

#### **Reporting under FDI Scheme on the e-Biz platform**

- ❖ **RBI/2015-16/157 A. P. (DIR Series) Circular No. 9 dated 21<sup>st</sup> August 2015:**  
With a view to promoting the ease of reporting of transactions under foreign direct investment, the Reserve Bank of India (RBI), under the aegis of the e-Biz project of the Government of India has enabled online filing of the Foreign Currency Transfer of Shares (FCTRS) returns for reporting transfer of shares, convertible debentures, partly paid shares and warrants from a person resident in India to a person resident outside India or vice versa. The design of the reporting platform enables the customer to login into the eBiz portal, download the reporting form (FCTRS), complete and then upload the same onto the portal using their digitally signed certificates. The Authorised Dealer Banks (ADs) will be required to download the completed forms, verify the contents from the available documents and if necessary, call for additional information from the customer and then upload the same for RBI to process and allot the Unique Identification Number (UIN). The FCTRS services of RBI will be made operational on the e-Biz platform from August 24, 2015

### VALUE ADDED TAX

#### **Reversal of excess input credit: Ref: Circular no 29/2015 dated 11.08.2015:**

New section 19(20) inserted in the TN VAT Act 2006, to reverse the excess input credit. When a registered dealer has sold goods at a price lesser than the price of the

goods purchased by him, the amount of the input credit over and above the output tax of those goods would be reversed.

However where the Assessing Officer feels that the registered dealer with the intention of tax evasion has shown in his accounts, sales or purchases of any goods which is abnormally below the prevailing market rate of the goods then Section 24 of the said Act would be invoked whereby the Assessing Officer may at any time within a period of five years from the expiry of the year to which the tax relates, assess or reassess the dealer to the best of its judgement on the turnover of such sales or purchases after making such enquiry as it may consider necessary and after giving the dealer a reasonable opportunity to show cause against such assessment.

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### **Annexure 1: LIST OF MANDATORY ICDS**

<b>ICDS 1: Accounting Policies (Corresponding Accounting Standard : As 1)</b>	
<b>Disclosures required</b>	If the fundamental accounting assumptions of Going Concern, Consistency and Accrual are followed, specific disclosure is not required. . However if a fundamental accounting assumption is not followed the fact shall be disclosed.
<b>Transitional provisions</b>	All contract or transaction existing on the 1 <sup>st</sup> day of April 2015 or entered into on or after the 1 <sup>st</sup> day of April 2015 shall be dealt with in accordance with the provisions of this standard after taking into account the income, expense or loss if any recognized in respect of the said contract or transaction for the previous year ending on or before the 31 <sup>st</sup> March 2015.
<b>ICDS II : Valuation of Inventories (Corresponding Accounting Standard: AS 2)</b>	
<b>Disclosures required</b>	The following aspects shall be disclosed namely: (a) the accounting policies adopted in measuring inventories including the cost formulae used and (b) the total carrying amount of inventories and its classification appropriate to a person
<b>Transitional provisions</b>	Interest and other borrowing costs which do not meet the criteria for recognition of interest as a component of the cost but included in the cost of the opening inventory as on the 1 <sup>st</sup> day of April 2015 shall be taken into account for determining cost of such inventory for valuation as on the close of the previous year beginning on or after 1 <sup>st</sup> day of April 2015 if such inventory continue to remain part of inventory as on the close of the previous year beginning on or after 1 <sup>st</sup> day of April 2015

<b>ICDS III : Construction contracts (Corresponding Accounting Standard: AS 7)</b>	
<b>Disclosures required</b>	The following needs to be disclosed (a) the amount of contract revenue recognized as revenue in the period and (b) the methods used to determine the stage of completion of contracts in progress. In addition the following details in respect of contracts in progress at the reporting date needs to be disclosed (a) the amount of costs incurred and recognized profits (less recognized losses) upto the reporting date (b) the amount of advances received and (c) the amount of retentions
<b>Transitional provisions</b>	Contract revenue and contract costs associated with the construction contract which commenced on or before the 31 <sup>st</sup> day of March 2015 but not completed by the said date, shall be recognized as revenue and costs separately in accordance with the provisions of this standard. The amount of contract revenue, contract costs or expected loss, if any, recognized for the said contract for any previous year commencing on or before the 1 <sup>st</sup> day of April 2014 shall be taken into account for recognizing revenue and costs of the said contract for the previous year commencing on the 1 <sup>st</sup> day of April 2015 and subsequent previous years.

<b>ICDS IV : Revenue Recognition (Corresponding Accounting Standard : AS 9)</b>	
<b>Disclosures required</b>	Following disclosures shall be made in respect of revenue recognition, namely: (a) in a transaction involving sale of good, total amount not recognized as revenue during the previous year due to lack of reasonable certainty of its ultimate collection along with nature of uncertainty; (b) the amount of revenue from service transactions recognized as revenue during the previous year;(c)the method used to determine the stage of completion of service transactions in progress; and (d)for service transactions in progress at the end of previous year: (i)the amount of costs incurred and recognized profit (less recognized losses)upto end of previous year (ii) the amount of advances received and (iii) the amount of retentions.
<b>Transitional provisions</b>	The transitional provisions of Income Computation and Disclosure Standard on construction contract shall mutatis mutandis apply to the recognition of revenue and the associated costs for a service transaction undertaken on or before the 31 <sup>st</sup> day of March 2015 but not completed by the said date. Revenue for a transaction, other than a service transaction undertaken on or before the 31 <sup>st</sup> day of March 2015 but not completed by the said date shall be recognized in accordance with the provisions of this standard for the previous year commencing on the 1 <sup>st</sup> day of April 2015 and subsequent previous year. The amount of revenue, if any,

	recognized for the said transaction for any previous year commencing on or before the 1 <sup>st</sup> day of April 2014 shall be taken into account for recognizing revenue for the said transaction for the previous year commencing on the 1 <sup>st</sup> day of April 2015 and subsequent years.
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<b>ICDS V : Tangible Fixed Assets (Corresponding Accounting Standard: AS 10)</b>	
<b>Disclosures required</b>	Following disclosure shall be made namely (a) description of asset or block of assets (b) rate of depreciation (c) actual cost or written down value as the case may be (d) additions or deductions during the year with dates in the case of any addition of an asset, date put to use including adjustments on account of (i) Central Value Added Tax credit claimed and allowed under the CENVAT Credit Rules 2004 (ii) change in the rate of exchange of currency (ii) subsidy or grant or reimbursement by whatever name called (e) depreciation allowable (f) written down value at the end of the year
<b>Transitional provisions</b>	The actual cost of tangible fixed assets, acquisition or construction of which, commenced on or before the 31 <sup>st</sup> day of March 2015 but not completed by the said date, shall be recognized in accordance with the provisions of this standard, The amount of actual cost if any, recognized for the said assets for any previous year commencing on or before the 1 <sup>st</sup> day of April 2014 shall be taken into account for recognizing actual cost of the said assets for the previous year commencing on the 1 <sup>st</sup> day of April 2015.

<b>ICDS VI : The Effects of Changes in Foreign Exchange Rates (Corresponding Accounting Standard : AS11)</b>	
<b>Disclosures required</b>	<p>(a) A foreign currency transaction shall be recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.</p> <p>(b) At the last day of each previous year foreign currency monetary items shall be converted into reporting currency by applying the closing rate.</p> <p>(c) Non-monetary items in a foreign currency shall be converted into reporting currency by using the exchange rate at the date of the transaction.</p> <p>(d) In respect of monetary items, exchange differences arising on the settlement or on conversion at the last day of the previous year shall be recognized as income or as expense in that previous year.</p> <p>(e) In respect of non-monetary items, exchange differences arising on conversion at the last day of the previous year shall not be recognized as income or as expense in that previous year.</p>

<b>Transitional provisions</b>	<p>(a) All foreign currency transactions undertaken on or after 1st April 2015 shall be recognized in accordance with the provisions of this standard.</p> <p>(b) Exchange differences arising in respect of monetary items or non-monetary items, on the settlement thereof during the previous year commencing on the 1st day of April, 2015 or on conversion thereof at the last day of the previous year commencing on the 1st day of April, 2015, shall be recognised in accordance with the provisions of this standard after taking into account the amount recognised on the last day of the previous year ending on the 31st March, 2015 for an item, if any, which is carried forward from said previous year.</p> <p>(c) The financial statements of foreign operations for the previous year commencing on the 1st day of April, 2015 shall be translated using the principles and procedures specified in this standard after taking into account the amount recognized on the last day of the previous year ending on the 31st March, 2015 for an item, if any, which is carried forward from said previous year.</p> <p>(d) All forward exchange contract existing on the 1<sup>st</sup> day of April 2015 or entered on or after 1<sup>st</sup> day of April 2015 shall be dealt with in accordance with the provisions of this standard after taking into account the income or expenses, if any recognized in respect of the said contracts for the previous year ending on or before the 31<sup>st</sup> day of March 2015.</p>
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<b>ICDS VII : Government Grants (Corresponding Accounting Standard : AS12)</b>	
<b>Disclosures required</b>	<p>Following disclosure to be made in respect of Government grants:-</p> <p>(a) Nature and extent of Government grants recognized during the previous year by way of deduction from the actual cost of the asset or assets or from the written down value of block of assets during the previous year</p> <p>(b) Nature and extent of Government grants recognized during the previous year as income</p> <p>(c) Nature and extent of Government grants not recognized during the previous year by way of deduction from the actual cost of the asset or assets or from the written down value of block of assets and reasons thereof</p> <p>(d) Nature and extent of Government grants not recognized during the previous year as income and reasons thereof.</p>
<b>Transitional provisions</b>	<p>All the Government grants which meet the recognition criteria on or after 1<sup>st</sup> day of April 2015 shall be recognized for the previous year commencing on or after the 1<sup>st</sup> day of April 2015 in accordance with the provisions of this standard after taking into account the amount if any, of the said Government grant recognized for any previous year ending on or after 31<sup>st</sup> March 2015.</p>

<b>ICDS VIII : Securities (Corresponding Accounting Standard : AS 13)</b>	
<b>Disclosures required</b>	<p>(a) A security on acquisition shall be recognized at actual cost which comprises of purchase price and other costs such as brokerage, fees, tax, duty or cess</p> <p>(b) At the end of any previous year, securities held as stock-in-trade shall be valued at actual cost initially recognized or net realizable value at the end of that previous year whichever is lower. The comparison has to be done category wise such as shares, debt securities, convertible securities and others</p> <p>(c) The value of securities held as stock-in-trade of a business as on the beginning of the previous year shall be the cost of securities available on the commencement of the business when the business has commenced during the previous year or the value of securities of the business as on the close of the immediately preceding previous year</p>
<b>Transitional provisions</b>	None

<b>ICDS IX : Borrowing Costs (Corresponding Accounting Standard : AS 16)</b>	
<b>Disclosures required</b>	The following disclosure has to be made in respect of borrowing costs, namely:- (a) the accounting policy adopted for borrowing costs and (b) the amount of borrowing costs capitalized during the previous year
<b>Transitional provisions</b>	All the borrowing costs incurred on or after 1 <sup>st</sup> day of April 2015 shall be capitalized for the previous year commencing on or after 1 <sup>st</sup> day of April 2015 in accordance with the provision of the standard after taking into account the amount of borrowing costs capitalized, if any, for the same borrowing for any previous year ending on or before 31 <sup>st</sup> day of March 2015

<b>ICDS X : Provisions, Contingent Liabilities and Contingent Assets (Corresponding Accounting Standard : AS 29)</b>	
<b>Disclosures required</b>	1. Following disclosure shall be made in respect of each class of provision namely: (i) a brief description of the nature of the obligation (ii) the carrying amount at the beginning and end of the previous year (iii) additional provisions made during the previous year including increases to existing provisions (iv) amount used or incurred and charged against the provision during the previous year (v) unused amounts reversed during the previous year and (vi) the amount of any



	<p>expected reimbursement stating the amount of any asset that has been recognized for that expected reimbursement.</p> <p>2. Following disclosure shall be made in respect of each class of asset and related income recognized namely: (i) a brief description of the nature of the asset and related income (ii) the carrying amount of asset at the beginning and end of the previous year (iii) additional amount of asset and related income recognized during the year, including increases to assets and related income already recognized and (iv) amount of asset and related income reversed during the previous year</p>
<b>Transitional provisions</b>	<p>All the provisions or assets and related income shall be recognized for the previous year commencing on or after 1<sup>st</sup> day of April 2015 in accordance with provisions of this standard after taking into account the amount recognized if any for the same for any previous year ending on or before 31<sup>st</sup> day of March 2015.</p>